CALL TO ORDER  Chair Piombo called the meeting to order at 9:08 a.m.

ROLL CALL

PRESENT:  Bolger, Piombo, Shaw, Stevens

ABSENT:  Given, Shore

MINUTES

It was M/S Bolger/Stevens to approve the February 24, 2016 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES:  Bolger, Piombo, Shaw, Stevens
NOES:  None
ABSTAIN:  None
ABSENT:  Given, Shore

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

No public comment.

B. NEW BUSINESS

1. Administrative Budget for Fiscal Year 2016/17 (Action)

Consider and possibly recommend adoption of administrative budget for the next fiscal year

Retirement Administrator Jeff Wickman presented the proposed Administrative Budget for Fiscal Year 2016/17. MCERA’s largest administrative expense is Salaries and Benefits. Consistent with prior years all positions are budgeted at the top step. Salaries include a 3% Cost of Living Adjustment on July 1, 2016 as agreed on through County collective bargaining. The cost of benefits was calculated at 67% of pay. The vacant office assistant position was changed to a retirement services technician to provide higher-level services for customers.
Trustee Bolger asked if we should be willing to pay for the high-touch aspect of customer service when other systems are automating services. In response Mr. Wickman agreed that using automation to streamline processes and reduce costs was a goal that he and Assistant Administrator Hardesty shared. In 2011 with the implementation of the new benefit system (CPAS) MCERA began automating processes and gaining greater confidence with the member data used to manage MCERA. This allowed MCERA to overcome backlogs and move beyond the prior issues with customer service. As MCERA builds on the process improvements implemented since go-live with CPAS and transitions the team to a more integrated one-stop customer service model, future turnover will be reviewed to determine if re-filling a position is necessary in order to maintain current service levels. The Administrator stated that the decision to upgrade the front-desk position was made only after considerable discussion on the most efficient method of staffing MCERA. Amplifying the need for time-intensive calculation services are MCERA’s 43 different benefit tiers, purchase of prior membership service credit (not allowed in many systems) and domestic relations orders.

Mr. Wickman highlighted goals for the next fiscal year outlined in the budget proposal. In customer service these include implementing a workflow system, documenting procedures, and automating communications for key retirement service deliverables. In communications the redesigned MCERA website will be completed with new information targeted to MCERA plan sponsors. Also planned are the conversion of online documents to fillable forms and development of a Domestic Relations Order (DRO) Handbook. Financial goals are to complete the hiring of a Chief Financial Officer (CFO), complete the Comprehensive Annual Financial Report, and identify financial systems for integration with CPAS. In management goals include implementing an Employer Audit Plan, identifying a member/retiree/beneficiary location service provider, and issuing a request for proposal for a company to conduct annual financial audits.

The total Administrative Budget request is $3.93 million, 0.16% of the accrued liability and under the .21% limit by $1.25 million. Other budget increases are in Services and Supplies for fiduciary liability insurance premiums, professional services, and disability-related services. The Organizational Chart reflects creation of a new group headed by Benefit Supervisor David Sousa to focus on customer service delivery (member counseling, walk-ins, phone and email contacts).

It was M/S Bolger/Stevens to recommend that the Board adopt the Administrative Budget for Fiscal Year 2016/17 as presented.

AYES: Bolger, Piombo, Shaw, Stevens
NOES: None
ABSTAIN: None
ABSENT: Given, Shore

2. Administrative Budget FY 2015/16 Quarterly Review
Consider and review budget for quarter ending March 31, 2016

Mr. Wickman reported that overall administrative expenditures as of the end of the third quarter of this fiscal year are 70% of the budgeted amount. Salaries were under budget at 68% primarily due to the vacant CFO position. The Administrator anticipates expenditures
will run 3 to 5% under the budgeted amount for the fiscal year ending June 30, 2016. Third quarter expenditures included recruiting services for the CFO and 1099R form production and distribution. Other expenses included staff attendance at the CalAPRS Benefits Roundtable, assessment and repair of audio-visual equipment in the executive conference room, and purchase of an iPad for the CFO position.

3. **Non-budgeted Expenses**
Consider and review non-budgeted expenses for the quarter

Retiree Payroll is the largest non-budgeted item. CPAS expenses are for annual software services and support. A $50,000 software upgrade will allow for better reporting and the use of generational mortality in benefit calculations. Mr. Wickman has discussed with CPAS the need to contain future costs to maintenance and support.

Legal expenses for the quarter were higher as a result of extraordinary legal issues related to lawsuits filed against MCERA, legal issues with an MCERA retiree, work with MCERA’s fiduciary insurance provider regarding coverage, and work for the March Strategic Workshop. Woodmont expenditures included atypical expenses related to the roof and parking lot. Mr. Wickman observed that the use of the parking lot during the Marin County Fair helps contribute toward MCERA’s ongoing positive relationship with Marin County.

Investment manager fees were presented and reviewed. Trustees Bolger, Stevens and Chair Piombo expressed an interest in further analysis of the value of active management fees.

4. **Quarterly Checklist**
Consider, review and updates on the following:

a. MCERA educational and event-related expenses

In response to Trustee Stevens’ inquiry, Mr. Wickman stated there is still room in the annual travel expense budget of $40,000. Noting trustee travel is trending lower, he encouraged attendance by the trustees at SACRS and CalAPRS events. Chair Piombo and Trustee Bolger indicated an interest in setting some potential parameters around trustee travel.

b. Continuing Trustee Education Log

The Continuing Education report shows trustees have either met their 24 hour requirement or are on track to meet the requirement every two years.

c. Other expenses per Checklist Guidelines

Credit card expenditures were reviewed and there were no concerns.

d. Variances in the MCERA administrative budget in excess of 10%

See discussion above.
e. Reconciliation of MCERA administrative accounts

Staff is meeting next week with members of the Department of Finance to discuss the administrative account reconciliation project.

f. Vendor services provided to MCERA

W. Brown Creative Partners continues to provide recruiting services for the CFO search.

g. MCERA staffing status

The Administrator reported that he offered the CFO position to a candidate after the second recruitment attempt. The candidate ultimately declined the offer. Next week the interview panel will meet two new candidates. If the outcome of the interviews does not produce a candidate the Administrator indicated he would consider asking the Board Chair to form an ad hoc committee to discuss the recruitment approach.

The administrator reported that two extra hire employees are currently working at MCERA. One is working in accounting to backfill the Accounting Assistant position and the other is helping to get caught up on back filing of member files.

h. Internal controls, compliance activities and capital calls

Capital calls include distributions from initial commitments to private equity fund-of-fund vehicles and the transfer of Commodity portfolio assets from passive manager BlackRock to active manager Invesco.

i. Audits, examinations, investigations or inquiries from governmental agencies

No discussion.

j. Other items from the Administrator related to risk and finance

MCERA continues to work with Woodmont to analyze if it is possible to make better use of the space at MCERA offices. A final decision about any possible changes will be brought to the Board.

k. Form 700 Summary submittal

An annual summary of Form 700 filings highlights items related to possible recusals because of potential conflicts of interest.

5. **Senate Bill 272 Regarding Catalogue of Enterprise Systems (Action)**

Consider and possibly recommend to Board action regarding the legislation

Senate Bill (SB) 272 amends the Public Records Act effective July 1, 2016 to require reporting new information about “enterprise systems.” Mr. Wickman and Counsel Dunning explained their initial analysis was that MCERA’s benefit system “CPAS” probably would not meet the definition of an enterprise system as provided in SB 272. However the Board may choose to provide the information required by SB 272 to maintain complete transparency.
It was M/S Stevens/Shaw to recommend that the Board voluntarily post the information outlined in Senate Bill 272.

AYES: Bolger, Piombo, Shaw, Stevens
NOES: None
ABSTAIN: None
ABSENT: Given, Shore

Chair Piombo directed deliberations to **Agenda Items 7, 8 and 9.**

7. **Annual Audit of Financial Statements Update**
   Update on annual audit process

   The Administrator reported that Brown Armstrong will begin their field work for the annual financial audit in July. Due to current staffing transitions in accounting some of the audit work has been pushed out a few months. The final audit report will be presented to the Board in December.

8. **Key Service Providers Review**
   Annual administrative review of key service providers

   There are no new service providers and current providers are performing up to expectations.

9. **Future Meetings**
   Consider possible agenda topics for future meetings

Chair Piombo directed deliberations to **Agenda Item B.6.**

6. **Information Technology Security Assessment Report**
   Staff report on risk planning and processes for MCERA

   Assistant Retirement Administrator Michelle Hardesty reported that staff is developing a checklist to assess the status of information technology security that will be presented at the next Committee meeting. The analysis focuses on whether sponsors are doing their part to uphold security, policy compliance, threat assessment, vulnerabilities, and controls.

There being no further business, Chair Piombo adjourned the meeting at 11:34 a.m.

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Alan Piombo  
Chairperson

Jeff Wickman  
Retirement Administrator